

State of California
Department of Insurance
45 Fremont Street
San Francisco, California 94105

**NOTICE OF PROPOSED EMERGENCY REGULATION
PURSUANT TO CALIFORNIA INSURANCE CODE SECTION 12921.7**

(Non-Resident Surplus Line Broker Record Keeping Regulations)

File No. ER03027484

June 13, 2003

NOTICE

Insurance Commissioner John Garamendi (the Commissioner) hereby provides notice pursuant to California Insurance Code §12921.7 that he will propose to the Office of Administrative Law the amendment of Title 10, Chapter 5, Subchapter 1, Article 7, Sections 2190-2190.8, California Code of Regulations (CCR), regarding production agency records, on an emergency basis pursuant to California Government Code Section 11346.1 (b).

This Notice includes a description of the problem and the necessity for the regulation, an explanation of the justification for the adoption of the emergency regulations and a copy of the text of the proposed regulations.

The Notice has been provided to every person, group, and association who has previously filed a request for notice of all regulatory actions with the Commissioner, as well as to every person, group, and association having filed a request to receive only notices of regulations specifically involving Agents, Brokers, Adjusters, and Administrators. Copies of the Notice, and the text of the regulations, are available at the Department of Insurance, 45 Fremont Street, 21st Floor, San Francisco, California 94105, as well as on the Department's web site at www.insurance.ca.gov under the Quick Hits heading of Legal Information, subheading Proposed Regulations.

The proposed regulation will be submitted to the Office of Administrative Law not less than five (5) working days after the mailing of this Notice. Questions and/or comments regarding this Notice should be directed to:

California Department of Insurance
Legal Division, Compliance Bureau
Attn: Denise Yuponce
300 Capitol Mall, 17th Floor
Sacramento, California 95814
(916) 492-3171

Description of Problem and Necessity for Regulations

The purpose of these amended regulations is to implement, interpret, and make specific the provisions of California Insurance Code (CIC), Division 1, Part 2, Chapter 6, Sections 1767 and 1768.

Assembly Bill 2984, Chapter 203, Statutes of 2002, effective January 1, 2003, authorizes the issuance of a surplus line broker's license to non-residents that is equal in scope to that of residents. To effectively regulate the activities of these non-resident licensees, the Commissioner must establish record keeping requirements for the insurance transacted on California risks. Current record keeping regulations set forth in Title 10, California Code of Regulations, Sections 2190 through 2190.8 apply only to resident surplus line brokers. The amended regulations hereby noticed expand existing record keeping requirements to include those records maintained by non-resident licensees.

Justification for Adoption as Emergency Regulations

Since AB 2984 provides for the issuance of a surplus line broker's license to non-residents that is equal in scope to that of residents effective January 1, 2003, it is necessary to adopt these proposed regulations on an emergency basis in order to properly regulate the activities, specifically record keeping, of these non-resident licensees.

The Commissioner proposes the adoption of these regulations pursuant to the authority vested in him by Section 1768 of the California Insurance Code. California Insurance Code Section 1768 provides for the promulgation of reasonable rules and regulations specifying the manner and type of records to be maintained by surplus line brokers and the locations where those records shall be kept.

Text of the Proposed Regulations

The text of the proposed rulemaking is attached to this Notice.

Dated: June 13, 2003

JOHN GARAMENDI
Insurance Commissioner

By: _____/s/_____
Denise Yuponce
Staff Counsel